

Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 115073

R 081545Z APR 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 1833

S E C R E T SECTION 1 OF 2 CAIRO 4714

EXDIS

E.O. 11652: GDS
TAGS: EINV, ETRD, EG
SUBJECT: ARAB BOYCOTT: COCA-COLA AND FORD

SUMMARY: AYUB VISIT TO DISCUSS LIFTING OF
BOYCOTT ON COCA-COLA APPARENTLY WENT FAIRLY WELL.
MAHGUB WAS HIS DIFFICULT SELF, BUT MINSTATE RIAD'S
MFA REP ARRANGED THAT LETTER FROM COCA-COLA EXPLAINING
FRANCHISE SITUATION IN ISRAEL WOULD BE ACCEPTED.
AL BOYCOTT CONFERENCE DEFERRED CONSIDERATION OF
AMERICAN FIRMS, INCLUDING COCA-COLA AND FORD, TO A
SPECIAL MEETING SCHEDULED FOR LATE JUNE. THUS,
EARLIEST ACTION ON COCA-COLA LIKELY TO BE TAKEN IS
MID-JULY. FAHMY HAS PUT RIAD IN CHARGE OF ARRANGING
LIFTING OF BOYCOTT ON FORD AND COCA-COLA. RIAD
IS SEEKING ROUTE CALCULATED TO MAKE GOE LESS
VULNERABLE TO FURTHER SYRIAN AND ARAB EXTREMIST
POLITICAL ATTACKS. FORD TECHNICAL TALKS
HERE STILL UNDERWAY, BUT AMB APPRISED RIAD OF NEED
FOR A DECISION BY JUNE 1. IF NECESSARY, RIAD HOPES
A PROCEDURE CAN BE DEvised WHEREBY CONTRACT IS SIGNED
BY THEN, BUT NOT ANNOUNCED BY GOE. HE CLAIMS HE HAS
ARRANGEMENT WITH MAHGUB FOR HANDLING MATTER IN AL
BOYCOTT CONFERENCE. IN OUR VIEW, DESPITE FAHMY AND RIAD'S
CONFIDENCE, SOME REAL OBSTACLES REMAIN AND MATTERS ARE
NOT LIKELY TO MOVE FAST. END SUMMARY.

1. IN PAST FEW DAYS, WE HAVE HAD SERIES OF TALKS

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RE GOE'S CURRENT THINKING ON PERMITTING COCA-COLA

AND FORD TO RESUME OPERATIONS IN EGYPT. FOLLOWING
SYNTHESIZES RESULTS OF THOSE TALKS.

2. COCA-COLA: AT DEPT AWARE, COCA-COLA REP SAM AYUB
VISITED CAIRO EARLIER THIS WEEK. HE CAME ON
SUGGESTION MINSTATE MOHAMED RIAD (CAIRO 4037). SHORTLY
AFTER HIS ARRIVAL, HE AND LOCAL COCA-COLA REP. YUSIF
NABIH, MET INFORMALLY WITH RIAD. ACCORDING TO
NABIH, RIAD TOLD THEM HE HAD ARRANGED MEETING
WITH AL BOYCOTT COMMISSIONER MAHGUB TO DISCUSS
THE SUBJECT MAHGUB HAD ALLEGEDLY BEEN TOLD BY GOE TO
BE COOPERATIVE AS THE PRICE FOR EXTENDING HIS TERM
FOR TWO YEARS. IN MEETING, HOWEVRER, MAHGUB HAD
BEEN HIS USUAL NASTY, UNCOOPERATIVESELF. REP FROM
MFA WHO ATTENDED MEETING STAYED WITH MAHGUB AFTER
MEETING AND, ACCORDING TO HIS ACCOUNT AS RELAYED TO
AYUB AND NABIH, HAD HEATED DISCUSSION WITH MAHGUB
ON BOYCOTT OF COCA-COLA. MFA REP THEN IMMEDIATELY
WENT TO SEE AYUB AND SAID COMPROMISE HAD BEEN
REACHED WHEREBY MAHGUB HAD SUGGESTED A LETTER FROM
COCA-COLA EXPLAINING SITUATION WITH RESPECT TO THE
ISRAELI FRANCHISE. AYUB HAD INDICATED LETTER
SEEMED AGREEABLE, BUT HE WISHED TO CHECK IT OUT WITH
HIS ATLANTA HEADQUARTERS. MAHGUB SUGGESTED
LETTER BE SENT TO HIM FOR PROCESSING. HOPEFULLY,
ACTION MIGHT THEN BE TAKEN TO LIFT THE BOYCOTT ON
COCA-COLA IN JULY.

3. FORD: FORD SITUATION REMAINS GENERALLY THAT
REPORTED CAIRO 3590. HOWEVER, GARAZINO, CHAIRMAN
OF NASR AUTOMOBILE CO., TOLD AMB THAT A FORD TECHNICAL
TEAM WAS DUE TO ARRIVE LAST NIGHT FOR FURTHER DISCUSSIONS.
ACCORDING TO GARAZINE, A REPLY FROM FORD IS NEEDED
TO PROPOSED EGYPTIAN MODIFICATIONS OF EARLIER FORD
PROPOSALS. GRAZINE WAS HOPEFUL THAT TECHNICAL
TALKS COULD BE SUCCESSFULLY CONCLUDED BY MAY 15. HE
WAS ARE OF FORD'S NEED FOR DECISION BY BEGINNING
OF JUNE FOR PLANNING AND FINANCIAL PURPOSES.

4. EGYPTIAN STRATEGY RE HANDLING COCA-COLA AND FORD:
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DURING AMBASSADOR'S MEETING WITH RIAD, APRIL 7, LATTER
ELABORATED ON ABOVE. AFTER RECALLING FAHMY HAD
CHARGED HIM WITH ARRANING LIFTING OF BOYCOTT ON FORD
AND COCA-COLA, HE POINTED OUT SUCH ACTION REQUIRES
CAREFUL HANDLING. FAHMY HAD INDEED SUGGESTED THE
COMPANIES SIMPLY BE PERMITTED TO OPERATE
WITHOUT FORMAL ACTION TO LIFT THE BOYCOTT AND HAD EVEN
INDICATED HIS READINESS TO TAKE THE ENSURING ARAB FLACK.

RIAD HAD ARGUED AGAINST SUCH APPROACH. HE EVENTUALLY
PERSUADED FAHMY TO ALLOW HIM TO SEARCH FOR A PROCEDURE
WHICH WILL MAKE GOE LESS VULNERABLE TO ARAB ATTACKS.
RIAD NOTED THAT SINAI II HAS CAUSED ENOUGH POLITICAL
HEADACHES FOR EGYPT, IT SHOULD NOT BE LOOKING FOR
MORE.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 115210

R 081545Z APR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1834

S E C R E T SECTION 2 OF 2 CAIRO 4714

EXDIS

5. HE, RIAD, HAD THEREFORE CONTACTED MAHGUB TO
DEMAND LATTER'S ASSISTANCE. RIAD WAS AWARE OF
MAHGUB'S BEHAVIOR AT MEETING WITH AYUB, BUT
INSISTED HE HAD GIVEN MAHGUB A SEVERE DRESSING DOWN.
AS A RESULT, MAHGUB, WHO WANTS TO RETAIN HIS
JOB AND KNOWS CONTINUED GOE ENDORSEMENT IS NECESSARY
FOR HIM TO DO SO, HAD PROMISED TO COOPERATE. RECENT
ALEXANDRIA BOYCOTT CONFERENCE HAD DECIDED TO HOLD
ANOTHER SPECIAL SESSION IN NEXT SIX TO EIGHT WEEKS
TO CONSIDER "NEW CRITERIA" FOR AMERICAN FIRMS NOW ON
BOYCOTT LIST. THUS, ASSUMING COCA-COLA SENDS LETTER
SOON, SPECIAL BOYCOTT SESSION COULD APPROVE BY
MID-JULY. FINAL APPROVAL MUST BE GIVEN BY AL COUNCIL
OF MINISTERS, WHICH IS NOT SCHEDULED TO MEET UNTIL
OCTOBER. IN MEANTIME, HOWEVER, GOE COULD AGREE
THAT COCA-COLA BEGIN OPERATIONS, SINCE COUNCIL NEARLY
ALWAYS ACCEPTS BOYCOTT CONFERENCE RECOMMENDATIONS.
ALTHOUGH HE HAD HAD NO SPECIFIC TALK WITH FORD
REPS, RIAD OPINED FORD MATTER COULD BE HANDLED THE
SAME WAY.

6. AMBASSADOR NOTED THAT IF MODALITIES OUTLINED

BY RIAD ARE IN FACT AGREEABLE TO COCA-COLA AND
LEGAL UNDER US LAW, THERE WOULD SEEM TO BE NO
PROBLEM. FORD SITUATION STRUCK HIM AS SOMEWHAT
DIFFERENT. FORD NEEDS A DECISION BY EARLY JUNE IF
PROJECT IS TO BE REALIZED. IT CANNOT
WAIT UNTIL JULY OR LATER. FAHMY HAD EARLIER BEEN
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APPRISED OF JUNE DATE. RIAD CLAIMED HE WAS UNAWARE
OF THE JUNE DATE AND REGRETTED THAT FAHMY HAD ONLY TASKED
HIM WITH THE BOYCOTT MISSION IN LATE FEBRUARY. HAD
FAHMY DONE SO EARLIER, WE MIGHT BE FURTHER ALONG.
RIAD THAN OBSERVED THAT MAHGUB HAD ALSO TOLD HIM
GOE COULD IN FACT GO AHEAD WHENEVER IT WISHES AND
SIGN ARRANGEMENT WITH FORD. MAHGUB HAD STRESSED,
HOWEVER, THAT GOE SHOULD NOT RPT NOT ANNOUNCE IT.
HE ASSUMED NEWS OF IT WOULD COME OUT IN THE US, AND
SOONER OR LATER ONE OR ANOTHER OF THE COUNTRY BOYCOTT
BUREAUS MIGHT BE EXPECTED TO QUERY CENTRAL BOYCOTT
OFFICE ABOUT REORT. AGAIN ACCORDING RIAD, MAHGUB
WOULD THEN HOLD THESE LETTERS FOR A MONTH OR SO BEFORE
SENDING THEM TO GOE FOR REPLY. GOE COULD ALSO DELAY
REPLY FOR ANOTHER MONTH OR SO. BYT THAT TIME,
SPECIAL BOYCOTT CONFERENCE WILL HAVE BEEN
HELD AND ARRANGEMENTS PRESUMABLY MADE TO LIFT BOYCOTT.
WHILE RIAD MADE IT CLEAR HE PERSONALLY PREFERS TO
FOLLOW A LESS RUSHED ROUTE WITH FORD AS WELL AS
COCA-COLA, HE DID NOT EXCLUDE THE POSSIBILITY THAT
GOE MIGHT ADOPT THIS SECOND PROCEDURAL OPTION ONCE
FORD AND GOE HAVE REEACHED AGREEMENT ON ALL TECHNICAL
ASPECTS OF THE PROPOSAL. LIKE MINECONCOOP ZAKI
SHAFEI, RIAD STRONGLY ENDORSED FORD PROPOSAL AS
BENEFICIAL TO EGYPT. RIAD WAS SOMEWHAT VAGUE ON EXACTLY
WHAT WILL BE NEEDED TO GET SPECIAL BOYCOTT CONFERENCE
TO REMOVE FORD FROM LIST, BUT SEEMED CONFIDENT THIS
SHOULD BE NO PROBLEM.

7. RIAD ADDED MAHGUB HAD TOLD HIM THAT,
UNFORTUNATELY, XEROX AND GENERAL MOTORS HAVE RECENTLY
TAKEN PUBLIC ACTION WHICH MAKES IT DIFFICULT TO
REMOVE THEM AS GOE HAD ALSO REQUESTED. HE DID NOT
ELABORATE.

8. COMMENT: FOR POLITICAL REASONS, LARGELY
CONNECTED WITH CONTINUING SYRIAN AND RADICAL ARAB
ATTACKS ON SADAT FOR CONCLUDING SINAI II, GOE HAS
NOW OPTED FOR AL ESS BOLD COURSE OF ACTION
THAN THAT INITIALLY ENVISAGED.

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DISADVANTAGE OF THIS ROUTE IS THAT IT WILL TAKE
MORE TIME, ADVANTAGE IS THAT, IF IT SUCCEEDS, BOYCOTT
WILL BE LEGALLY LIFTED ON THESE COMPANIES NOT ONLY
IN EGYPT, BUT PROBABLY THROUGHOUT THE ARAB WORLD.
FAHMY AND RIAD REMAIN CONFIDENT OF THEIR ABILITY
TO MANAGE SITUATION, BUT IT IS CLEAR SOME REAL
OBSTACLES REMAIN TO BE OVERCOME. THEY BELIEVE THEY
HAVE MAHGUB DISCIPLINED, BUT EXTENT TO WHICH THIS
IS SO REMAINS TO BE SEEN. WE WILL CONTINUE
URGE GOE MOVE FORWARD AND ASSIST AS APPROPRIATE.
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